UNIVERSITY OF SASKATCHEWAN

1999 ACADEMIC PENSION PLAN

FINANCIAL STATEMENTS

For the Year Ended December 31, 2006

SASKATCHEWAN

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AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of net assets available for benefits, accrued pension benefits and surplus of the University of Saskatchewan 1999 Academic Pension Plan as at December 31, 2006 and the statements of changes in net assets available for benefits and changes in accrued pension benefits for the year then ended. These financial statements are the responsibility of the Plan's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits, accrued pension benefits and surplus of the Plan as at December 31, 2006 and the changes in the net assets available for benefits and changes in accrued pension benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
June 25, 2007

Fred Wendel, CMA, CA
Provincial Auditor

UNIVERSITY OF SASKATCHEWAN
1999 ACADEMIC PENSION PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS, ACCRUED PENSION BENEFITS AND SURPLUS
As at December 31

Statement 1

	2006	2005
Assets		
Cash	$ 704,199	$ 90,606
Accrued investment earnings	405,665	435,242
Investments (Note 3):		
Short term notes	5,217,612	7,240,017
Bonds	22,481,304	25,655,264
Equities	68,129,194	61,711,640
Pooled funds	74,625,552	64,762,018
	170,453,662	159,368,939
Contributions receivable:		
Employee	124,455	130,136
Employer	124,455	130,136
	248,910	260,272
Total assets	171,812,436	160,155,059
Liabilities		
Accounts payable	169,860	534,611
Total liabilities	169,860	534,611
Net Assets Available for Benefits (Statement 2)	171,642,576	159,620,448
Accrued Pension Benefits (Statement 3)	144,187,000	137,572,000
Surplus	$ 27,455,576	$ 22,048,448

(See accompanying notes)

UNIVERSITY OF SASKATCHEWAN
1999 ACADEMIC PENSION PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
For The Year Ended December 31

Statement 2

		2006		2005
Increase in Assets				
Investment income:				
Interest	$	1,405,922	$	1,593,819
Dividends		1,585,167		1,424,750
		2,991,089		3,018,569
Current period change in fair values of investments		17,343,473		11,831,219
Contributions:				
Employee		1,510,556		1,577,356
Employer		1,510,556		1,577,356
Other transfers and contributions		0		73,249
		3,021,112		3,227,961
Total increase in assets		23,355,674		18,077,749
Decrease in Assets				
Plan expenses (Note 4)		500,544		467,823
Pension benefits paid		3,880,219		3,882,374
Refunds and transfers:				
Retirements		4,961,274		8,603,781
Terminations		1,725,753		338,819
Death Benefits		265,756		---
		6,952,783		8,942,600
Total decrease in assets		11,333,546		13,292,797
Increase in net assets		12,022,128		4,784,952
Net assets available for benefits at beginning of year		159,620,448		154,835,496
Net assets available for benefits at end of year (to Statement 1)	$	171,642,576	$	159,620,448

(See accompanying notes)

UNIVERSITY OF SASKATCHEWAN
1999 ACADEMIC PENSION PLAN

STATEMENT OF CHANGES IN ACCRUED PENSION BENEFITS
For The Year Ended December 31

Statement 3

	2006 (Note 5)	2005 (Note 5)
Accrued Pension Benefits, beginning of year	$ 137,572,000	$ 136,624,000
Increase in Accrued Pension Benefits:		
Interest on accrued benefits	9,630,000	9,564,000
Benefits accrued with interest	3,537,000	3,706,000
Experience loss	3,285,000	896,000
Changes in assumptions	1,375,000	56,000
	17,827,000	14,222,000
Decrease in Accrued Pension Benefits:		
Benefits paid with interest	11,212,000	13,274,000
	11,212,000	13,274,000
Accrued Pension Benefits, end of year (to Statement 1)	$ 144,187,000	$ 137,572,000

(See accompanying notes)

1. Plan Administration

The University of Saskatchewan 1999 Academic Pension Plan (Plan) was established January 1, 1999 following a split of the University of Saskatchewan Academic Employee's Pension Plan between its retired members and its active/inactive members. All assets and membership in respect of the active/inactive members were transferred to this Plan.

The Plan is administered by a Fringe Benefits Committee that is composed equally of appointees of the Board of Governors and the Faculty Association. The Committee provides recommendations to the Board of Governors in matters of Plan amendments and also maintains liaison with all those concerned with the operations of the Pension Plan, including the Board of Governors, the trustee, the investment advisors, the actuary and the members of the Plan.

Description of the Plan

The following description of the Plan is a summary only. For more complete information, reference should be made to the Plan agreement.

a) General

The Plan is a defined benefit plan. Effective July 1, 2000, the Plan is closed to new members.

The Plan consists of academic and administrative employees of the University of Saskatchewan hired before July 1, 2000 who are employed on a permanent full time, seasonal full time or permanent part time basis. Participation in the plan was compulsory after completing three years of continuous service.

b) Retirement Benefits

The normal retirement date of a member is the June 30th coincident with or next following the attainment of age 67. The annual amount of pension is determined as follows:

A past service pension of:

i) 2% of the member's best four years average pensionable salary multiplied by the member's service prior to July 1, 1965; less

ii) the amount of pension payable under the terms of the prior plans.

Plus a current service pension of:

iii) 2% of the member's best four years average pensionable salary multiplied by the member's service after July 1, 1965; less

iv) .04% multiplied by the member's service after December 31, 2005 (to a maximum of 35 years) multiplied by the average Canada Pension Plan earnings ceiling in the year of retirement and the two previous years.

The above is a normal form of pension which provides for monthly payments for life with a minimum of 120 monthly payments being guaranteed.

Alternatively, a retiring member may elect the greater of the commuted value of the monthly retirement benefit or the total contributions together with accrued interest, and transfer this amount to a locked-in registered retirement savings vehicle or a prescribed registered retirement income fund, within the maximum tax shelter rules, with any excess being paid in cash.

c) Disability Retirement Benefits

The annual amount of pension is determined by applying the regular retirement benefit formula. Article V, Section 2(b) of the Plan provides that during a period of disability the member will be deemed to have received earnings at the member's full normal rate of pay.

d) Termination Benefits

Upon termination of employment a member may elect:

i) to receive a deferred retirement benefit; or

ii) to transfer an amount equal to the greater of:

1) employee contributions together with the University's contributions and interest; or

2) the commuted value of the monthly retirement benefit

to a locked-in RSP or deferred annuity, within the maximum tax shelter rules, with any excess being paid in cash.

e) Death Benefits

The beneficiary of an employee who dies before retirement will be entitled to receive an amount equal to the greater of:

i) the sum of the member's and the University's accumulated contributions with interest; or

ii) the commuted value of the monthly retirement benefit.

For an employee who is deceased after retirement, the surviving beneficiary will be entitled to receive the form of pension elected by the member at the member's retirement date.

f) Plan Improvements

Article XIX of the Plan makes provision for the use of any actuarial surplus to be applied firstly to the declaration of bonus pensions to existing pensioners, with any remaining surplus to be used to improve the benefits of members in the Plan if an adequate reserve for contingencies exists.

g) Required Contributions

In accordance with the terms of the Pension Plan Agreement total contributions required are based on 13.64% of regular earnings subject to a maximum of the median of the range for full professors, which is determined on an annual basis. Of this total contribution, the employee contribution is 50%.

h) Funding Policy

The Pension Plan Agreement requires the University to contribute at least 50% of the total required contribution.

The most recent actuarial valuation for funding purposes disclosed an actuarial surplus. Upon the actuary's recommendation, the Board has decided the University's future service cost is to be maintained at the level

set in the plan to the next valuation. The present rate of contribution is considered adequate to fund the future service benefits.

2. Significant Accounting Policies

These financial statements are prepared on the going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity independent of the sponsor and plan members. They are prepared to assist plan members and others in reviewing the activities of the Plan for the fiscal period but they do not portray the funding requirements of the plan or the benefit security of individual plan members. These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following policies are considered significant.

a) Investments

Short-term notes are recorded at cost which approximates market value.

Investments in bonds and equities are recorded at market values which are determined by reference to closing year end sale prices from recognized security dealers or, in the absence of recorded sales, by reference to closing year end bid and ask prices.

Investments denominated in foreign currency are translated at the exchange rate in effect at year end. Investments and realized gains and/or losses are translated at the exchange rate in effect at the transaction date. Unrealized gains and losses resulting from exchange differences are included in the determination of the change in market value of investments.

Units held in pooled funds are valued at the closing sales prices of the underlying securities as reported by the principal securities exchange on which the underlying securities are traded.

Fair value of investments approximates the market value. Transactions are recorded as of the trade date.

b) Receivables/Payables

Receivables and payables are non-interest bearing and are due or payable within the next year. Due to their immediate or short-term maturity the cost approximates the fair value.

3. Investments

The investment objectives of the Plan are to ensure the Plan has sufficient assets to meet future pension obligations and to generate sufficient cash flow to meet pension payments. Due to the long-term horizon of the Plan's liabilities, the Plan takes a long-term investment perspective. The strategy employed to achieve these objectives is to invest cash flows from contributions, maturing debentures and investment returns into assets such as money market securities, bonds, Canadian and foreign equities and pooled funds.

a) Interest Rate Risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Plan's assets and liabilities.

The value of the Plan's assets is affected by short-term changes in nominal interest rates. The Plan manages interest rate risk by investing in bonds and debentures with varying years to maturity.

b) Credit Risk

Credit risk arises from the potential for issuers of securities to default on their contractual obligations to the Plan. The Plan limits the credit risk by dealing with issuers that are considered to be high quality. The credit ratings used to describe the securities below are based on the Dominion Bond Rating Service, Standard and Poor's, Moody's Investor Services and Fitch Ratings.

c) Foreign Currency Risk

Foreign currency exposure arises from the Plan holding investments denominated in currencies other than the Canadian Dollar. Fluctuations in the relative value of the Canadian Dollar against these foreign currencies results in a positive or negative effect on the fair value of investments. The Plan manages the foreign currency risk by limiting the Plan's holdings of foreign investments and by diversifying the investment portfolio by country.

d) Market Risk

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market. The Plan's policy is to invest in a diversified portfolio of investments, based on criteria established in the Statement of Investment Policies and Procedures.

Short-term Investments

In 2006, short-term investments took the form of a note with an effective interest rate of 3.30%. In 2005, short-term investments were comprised of T-Bills, notes and commercial paper with effective interest rates ranging from 2.33% to 3.27%. The term to maturity of short-term investments is 365 days or less. The Plan's investment policy states that investments must meet a minimum investment standard of "R1", as rated by a recognized credit rating service.

Bonds

The Plan's investment policy states that bonds must meet a minimum quality standard of BBB as rated by a recognized credit rating service. BBB rated bonds cannot exceed 15% of the market value of the bond portfolio.

	2006 ($000)					2005 ($000)	
Years to Maturity	Federal	Provincial	Corporate	Total Market Value	Current Yield	Total Market Value	Current Yield
Under 5	$731	782	4,690	6,203	3.64% - 6.66%	7,358	3.65% - 6.51%
5 – 10	810	1,200	5,958	7,968	4.49% - 6.24%	11,997	4.46% - 6.11%
Over 10	3,698	2,410	2,202	8,310	4.51% - 5.68%	6,300	4.49% - 5.72%
Market Value	$ 5,239	4,392	12,850	22,481		25,655	

Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

Equities

The Plan's investment policy allows no one holding to represent more than 12% of the market value of the equity portfolio and no one holding to represent more than 10% of the common stock in any corporation. The average dividend rate is 2.01% (2005 – 2.07%).

	Market Value ($000)	
	2006	2005
Common shares	$32,077	$35,622
Foreign preferred shares	143	753
Foreign common shares	35,909	25,337
	$ 68,129	$ 61,712

Pooled Funds

The Plan holds units in pooled funds which have no fixed interest rate and its returns are based on the success of the manager. The Plan's pooled funds are comprised of the Jarislowsky Fraser Special Equity Fund, BGI Universe Bond Index Fund, BGI Pension U.S. Equity Index Fund, and Jarislowsky Fraser International Equity Fund.

Investment in a pooled fund should not exceed 10% of the market value of the pooled fund.

	Market Value ($000)	
	2006	2005
Canadian	$37,690	$36,464
Foreign	36,936	28,298
	$74,626	$64,762

Investment Return

The following is a summary of the Plan's investment performance:

As of December 31, 2006	1 year	4 year
Plan Return	13.4%	10.3%
Plan Objective	13.2%	10.9%

The Plan's objective for its investment portfolio (return on the benchmark portfolio) has been determined using the actual returns of the market indexes such as the Toronto Stock Exchange Index, Standard & Poor's 500 U.S. Stock Index, Morgan Stanley Europe, Australia and Far East Index and the Scotia Capital Universe Bond Index.

4. Plan Expenses

	2006		2005
	Budget	Actual	Actual
Investment management fees	$328,800	$310,534	$284,707
Trustee fees	59,200	63,490	57,851
Administration fees	42,055	61,794	39,629
Actuarial and consulting services	89,645	64,726	85,636
Total	$519,700	$500,544	$467,823

5. Accrued Pension Benefits

An actuarial valuation of the Plan was performed by Aon Consulting Inc., a firm of consulting actuaries, as at December 31, 2006 and at December 31, 2005. The present value of accrued pension benefits was determined using the projected benefit method prorated on service and the best estimate assumptions of management.

The net experience during the year was attributable to several factors as outlined below:

	2006	2005
Interest on contribution balances greater than assumed	$ 4,733,000	$ 2,082,000
Gain due to active members retiring	(1,676,000)	(427,000)
Salary increases greater (less) than expected	300,000	(708,000)
Pensioner mortality	(55,000)	43,000
Miscellaneous	(17,000)	(94,000)
	$ 3,285,000	$ 896,000

Significant long-term actuarial assumptions used in the valuation were:

	2006	2005
Salary escalation rate	3.5%	3.5%
Inflation rate	3.0%	3.0%
Interest rate	6.75%	7.0%
Mortality table	UP 94 projected to 2007	UP 94 projected to 2006

During the year, the mortality and interest rate assumptions were updated. This has resulted in an increase to the accrued pension benefits of $1,375,000.

The actual rates may vary significantly from the long-term assumptions used. The following illustrates the effect of changing certain assumptions from assumed rates of: inflation 3.0%, salary 3.5% and interest rate 6.75%.

	Long Term Assumptions					
	Inflation *		Salary		Interest	
	4.0%	2.0%	4.5%	2.5%	7.75%	5.75%
(Decrease) Increase in obligation for pension benefits	(2.7%)	4.0%	.9%	(.5%)	(2.9%)	5.3%

* The interest rate is equal to the inflation rate plus a real rate of return. The salary increase, YMPE increase and the Income Tax Act maximum pension increase equals the inflation rate plus 0.5% for productivity. Thus changing the inflation rate by plus/minus 1% will automatically increase/decrease the interest rate, salary increase, YMPE increase, and Income Tax Act maximum pension increase assumptions by 1%.

Since the Plan provides 100% CPI indexing up to maximum of 2% for the first 5 years after retirement, the sensitivity analysis for changing the inflation rate assumption does not impact this result.

The pension liability is long term in nature. The plan has no intention of settling its pension obligation in the near term and there is no market for settling its pension obligations. Therefore, determination of the fair value of the pension liability is not practical.

To protect the Plan against future adverse demographic or investment experience, the Pension Plan Agreement, under article XIX 5, allows that any surplus which may arise from the operation of the Plan which is not required to meet the actuarial liabilities existing thereunder shall accumulate as a reserve for contingencies.

The University contributes to the Plan on behalf of its employees based on the advice of the Plan's actuary within minimum amounts specified in accordance with the plan and the collective bargaining agreement. The assets, including any potential surplus in the plan, are for the benefit of the members and their beneficiaries. There is no provision that allows the withdrawal of the surplus by the University.

6. Related Parties

The Plan is related to the University of Saskatchewan and other pension plans sponsored by the University of Saskatchewan.

The Plan pays for plan expenses, including certain administration fees and miscellaneous expenses, which the University of Saskatchewan incurs and charges the Plan. The administrative expenses charged by the University of Saskatchewan in 2006 were $12,535 (2005 - $23,212).

Account balances resulting from the above transactions are included in the statement of net assets available for benefits and are settled on normal trade terms. Other transactions are disclosed separately in these financial statements.